

# funding cycle **2006**

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Water Infrastructure  
Finance Authority of Arizona



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## **Arizona's Drinking Water Revolving Fund Intended Use Plan**

April 20, 2006

[www.azwifa.gov](http://www.azwifa.gov)

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## EXECUTIVE SUMMARY

The Water Infrastructure Finance Authority of Arizona (WIFA) Board of Directors is pleased to release **Arizona's Drinking Water Revolving Fund (DWRf) Intended Use Plan (IUP) for the 2006 funding cycle**. The DWRf IUP describes WIFA's plan to utilize various sources of funds to finance drinking water infrastructure and support related program activities during the 2006 funding cycle from January 1, 2006 through December 31, 2006.

Included as *Exhibit A* of the DWRf IUP is the **2006 Funding Cycle Priority List (PL)**. The PL shows communities and water systems seeking financial assistance from Arizona's DWRf. At the release of this report, communities and water systems throughout Arizona submitted **41 applications requesting \$120,015,393 in financial assistance**.

From January 1, 2006 through December 31, 2006, the WIFA Board of Directors will use the PL as a guide to allocate financial assistance from Arizona's DWRf to communities and water systems listed on the PL. Each board meeting, the WIFA Board of Directors may revise the PL and modify the fundable range for construction based on project readiness to proceed and other new information. WIFA staff will post the revised PL on the WIFA Web site ( [www.azwifa.gov](http://www.azwifa.gov) ).

Overall, the financial assistance and related program activities supported by Arizona's DWRf share the same objectives: **protect public health, ensure safe and sustainable drinking water, and guarantee the affordability of basic water infrastructure**. Arizona's DWRf also support the national program goal of Clean and Safe Water and the national program objective to protect public health and assist water systems in providing water safe to drink (EPA IFMS PRC: 201B81E).

## SECTION 1: INTRODUCTION

During the 2006 funding cycle, Arizona's DWRF capacity will depend on the:

1. Amount of state contributions to Arizona's DWRF;
2. Amount of federal contributions to Arizona's DWRF;
3. Financing structure needs of water systems;
4. Interest rate on the DWRF financial assistance; and,
5. Availability of other state funds to support financial assistance activity.
6. Amount of leveraged bond capacity.
7. Leveraging capacity of fund.

Arizona's DWRF supports the national program objective to protect public health and assist water systems in providing water safe to drink (EPA IFMS PRC: 201B81E).

## SECTION 2: FUNDING SOURCES AND USES

Arizona's DWRF is capitalized by state contributions and by contributions appropriated by the United States Congress. Once capitalized, Arizona's DWRF provides, in perpetuity, financial assistance to drinking water systems throughout Arizona.

**Through active portfolio and financial management, WIFA's lending capacity could be increased during the funding cycle by leveraging the revolving fund and by issuing water quality bonds.**

During the 2006 funding cycle, Arizona's DWRF will rely on the funding outlined in **Table 1** to provide financial assistance to communities, support WIFA's operations, and support related program activities administered by WIFA and/or the Arizona Department of Environmental Quality (ADEQ). Each of the intended uses of funding is more fully described in Table 1.

**Table 1: Arizona DWRF Sources and Uses for 2006 Funding Cycle**

	Federal Contributions	State Contributions*	WIFA Revenue	WIFA Loan Accounts	Total
<b>Funding Sources</b>					
Financial Assistance Funds**		\$ -	\$ 719,755	\$ 63,000,000	\$ 63,719,755
2006 Funds	\$ 23,630,000	\$ 4,740,820	\$ -	\$ -	\$ 28,370,820
<b>Total Funding Sources</b>	<b>\$ 23,630,000</b>	<b>\$ 4,740,820</b>	<b>\$ 719,755</b>	<b>\$ 63,000,000</b>	<b>\$ 92,090,575</b>
<b>Funding Uses</b>					
Financial Assistance Loans	\$ 21,330,050	\$ 4,740,820	\$ -	\$ 63,000,000	\$ 89,070,870
Public Water System Supervision	\$ 719,750	\$ -	\$ 719,755	\$ -	\$ 1,439,505
Capacity Development	\$ 255,000	\$ -	\$ -	\$ -	\$ 255,000
Wellhead Protection	\$ 380,000	\$ -	\$ -	\$ -	\$ 380,000
Administration	\$ 945,200	\$ -	\$ -	\$ -	\$ 945,200
<b>Total Funding Uses</b>	<b>\$ 23,630,000</b>	<b>\$ 4,740,820</b>	<b>\$ 719,755</b>	<b>\$ 63,000,000</b>	<b>\$ 92,090,575</b>
* State match can be either WIFA bonds or state general fund monies.					
** During the funding cycle, WIFA may sell water quality revenue bonds of which the proceeds will used increase WIFA's lending capacity					

The sources and uses for the 2006 funding cycle shown in Table 1 are based on the FY 2006 federal budget. The 2006 DWRP federal budget allocation is \$850 million of which Arizona receives 2.78%.

**Financial Assistance: \$89,070,870**

WIFA will provide cash funded loans for financial assistance. WIFA will reserve a minimum of 15% for water systems that serve less than 10,000 persons.

Forgivable Principal: \$450,000 – WIFA may award forgivable principal to disadvantaged communities in accordance with WIFA Policy 1.013 – Disadvantaged Drinking Water Systems. Funds not awarded for this will revert to loans effective December 31, 2006.

**Public Water System Supervision (PWSS): \$2,024,505**

During state FY 2006, ADEQ will use this funding for the PWSS Program, which encompasses all of the various activities involved in implementing the Safe Drinking Water Act requirements in Arizona. These activities include operator certification, source water assessment and protection, development of regulatory guidance and assistance documents, assisting systems in obtaining the technical, financial, and managerial capability to comply with drinking water regulations, and technical consultations on water system and treatment system design. Additionally, WIFA may use capacity development funds to assist water systems throughout the state.

**Administration: \$945,200** – During state FY 2006, WIFA will use the funding to administer Arizona's DWRP and assist drinking water systems to conceive, develop, expedite, construct, and finance technically sound and sustainable water infrastructure.

**Technical and Local Assistance** will be addressed in the Technical Assistance (TA) Intended Use Plan (IUP). The TA cycle begins **July 1, 2006** and ends **June 30, 2007**. Please visit WIFA's Web site ([www.azwifa.gov](http://www.azwifa.gov)) for more information about WIFA's technical assistance programs.

### SECTION 3: GOALS

WIFA adopts an annual strategic plan listing goals, ongoing objectives, and annual objectives. The goals listed below are taken directly from the WIFA 2005-2006 Strategic Plan. For additional detail on goals, ongoing objectives, and annual objectives, request a copy of the WIFA 2005-2006 Strategic Plan from WIFA's Communications Director, (602) 364-1314.

**Goal 1:** Award WIFA's resources in accordance with the needs of Arizona's citizens.

**Goal 2:** Maintain the fiscal integrity of WIFA's funds and assure continuous enhancement for future generations.

**Goal 3:** Facilitate access to and efficiently deliver financial and technical assistance.

**Goal 4:** Coordinate with other funding sources, technical resources, and regulatory authorities, and private sector legal and financial counterparts.

**Goal 5:** Actively pursue leadership in infrastructure finance.

**Goal 6:** Efficiently administer WIFA within a positive work environment.

**Goal 7:** Facilitate and encourage board of directors' involvement in WIFA.

#### **SECTION 4: METHOD AND CRITERIA FOR DISTRIBUTING ARIZONA'S DWRF**

**Lending Capacity for 2006 Funding Cycle** – If there are insufficient projects ready to proceed during the 2006 funding cycle, WIFA will apply funds to the FY 2007 funding cycle project priority list. If additional funding becomes available during the fiscal year, WIFA will expand the fundable range of the 2006 funding cycle project priority list.

Each board meeting, the WIFA Board of Directors may update the DWRF PL, fundable range for design and fundable range for construction based on project readiness to proceed, refined project cost estimates, availability of other funding sources, and other new information affecting the expansion and contraction of the PL and fundable ranges. The WIFA Board of Directors will adopt the updated DWRF PL and fundable ranges at public meetings and will distribute the updates to all DWRF PL applicants and other interested parties.

**Priority List, Exhibit A** – On Thursday, Nov. 3, 2004, WIFA staff convened a scoring committee including members from the Arizona Department of Environmental Quality, Arizona Department of Water Resources, Arizona Corporation Commission and U.S. Department of Agriculture Rural Development. The committee scored and ranked priority list applications submitted by communities pursuant to WIFA's DWRF award criteria. All eligible applications received appear on the 2006 funding cycle priority list.

**Fundable Range for Design, Exhibit B** – Includes the highest ranking applicants ready to receive design assistance during the funding cycle.

**Fundable Range for Construction, Exhibit C** – Includes the highest ranking applicants ready to receive construction assistance.

**Market Loan Rate** – The WIFA Board of Directors has established a target interest rate ranging between 70% and 100% of tax-exempt interest or prime rates. The WIFA Board of Directors will set interest rates/subsidies on individual loans pursuant to the:

- ✓ Priority of the project;
- ✓ Local fiscal capacity of the area served by the system requesting assistance; and,
- ✓ Lending capacity of Arizona's DWRF.

Local fiscal capacity will be measured by the area's median household income, user rates and charges, and the community's outstanding debt.

**Binding Commitments** – The WIFA Board of Directors will allocate financial assistance in accordance with DWRP funds available, the DWRP PL, financial assistance requested, a community's financial capacity, and project readiness to proceed.

Once on the DWRP PL, an applicant will submit a project finance application to request financial assistance. WIFA staff will review the project finance application, analyze the applicant's legal, technical, managerial, and financial capability, and provide recommendations to the WIFA Board of Directors. The WIFA Board of Directors approves an applicant's financial assistance request, WIFA staff will prepare and circulate financial assistance documents to evidence the binding commitment in accordance with applicable federal requirements.

## SECTION 5: PUBLIC REVIEW AND COMMENT

WIFA solicited public review and comment on the draft **2006 DWRF IUP and PL** according to the following schedule of activities:

- |                   |  |
|-------------------|--|
| November 9, 2005  | Distribution and Web posting of the draft DWRF IUP and PL to all interested parties.           |
| November 29, 2005 | Public Hearing – 1110 West Washington, Room #145, Phoenix, Arizona 85007 at 1 p.m.             |
| November 29, 2005 | Deadline for public comments on the draft DWRF IUP and PL.                                     |
| December 21, 2005 | The WIFA Board of Directors adopts the final DWRF IUP and PL.                                  |
| January 1, 2006   | Final DWRF IUP and PL become effective. Distribution and Web posting of Final DWRF IUP and PL. |

## SECTION 6: ASSURANCES

**Files and Records Retention** – WIFA will receive and review project documents from financial assistance applicants. These documents will be filed in official project files maintained by WIFA. The project files and other DWRF records will be made available in accordance with the Arizona public records law. It is expected that EPA will review the files on a sample basis in conjunction with on-site visits scheduled as part of WIFA's annual review or other monitoring of the state's management of DWRF funds.

WIFA will retain the official project files and other DWRF files in accordance with federal and state requirements.

**Expeditious and Timely Expenditures** – WIFA will expend DWRF funds in a timely and expeditious manner.

**Environmental Review Requirements** – In accordance with applicable federal requirements, WIFA will continue to conduct environmental reviews pursuant to applicable federal and state statutes and rules.



**Exhibit A:**

**2006 Funding Cycle Priority List**

**Arizona's Drinking Water Revolving Fund**

**Arizona's Drinking Water Revolving Fund**  
**2006 Funding Cycle – Priority List for Drinking Water Revolving Fund**  
**April 20, 2006**

<b>Rank</b>	<b>Applicant</b>	<b>Population</b>	<b>Project Title</b>	<b>Project #</b>	<b>Requested</b>	<b>Rate Index</b>
1	Naco Water Company	1,086	Phase II of System Upgrades	030 2006	\$ 1,400,000	70%
2	Camp Verde Water System	2,500	Mongini Arsenic Plant	028 2006	\$ 750,000	70%
3	Livco Water Company	1,100	Old Concho/Concho Valley Consolidation	010 2006	\$ 200,000	70%
4	Watco, Inc.	790	SLE/BR Storage/Tie Line Project	014 2006	\$ 599,000	70%
5	Valley Utilities Water Company	4,500	Arsenic Remediation	032 2006	\$ 1,776,100	70%
6	Flagstaff Ranch Water Company	400	Arsenic Adsorption Package Treatment System	043 2006	\$ 202,500	70%
7	Ashcreek Water Company	250	Closing of Loop in Distribution Lines	016 2006	\$ 41,990	70%
8	Ashcreek Water Company	250	Increase of Water Storage Capacity with New Tank	021 2006	\$ 19,440	70%
9	Ashcreek Water Company	250	Mohave System Distribution Line Upgrade / Replacement	017 2006	\$ 25,450	70%
10	Ashcreek Water Company	250	Phase II of System Upgrades	020 2006	\$ 100,000	70%
11	Ashcreek Water Company	250	Well Transmission	018 2006	\$ 19,750	70%
12	Sue Juan Water Company	120	Arsenic Removal and Treatment (POU or well head)	001 2006	\$ 50,000	70%
13	Livco Water Company	1,100	Water Storage Capacity Expansion	009 2006	\$ 250,000	70%
14	Livco Water Company	1,100	Replace Asbestos Pipeline	012 2006	\$ 120,000	70%
15	Ashcreek Water Company	250	Installment of Transmission Valves and Flushing	019 2006	\$ 5,700	70%
16	Tacna Water Co.	450	Arsenic Control Plant and New Water Source	042 2006	\$ 260,268	70%
17	Shepard Water Company	500	Martinez Lake Well Site Arsenic Treatment	041 2006	\$ 200,000	75%
18	Oak Creek Utility Corp.	50	New Storage Tank	040 2006	\$ 50,000	70%
19	Abra Water Company	1,586	Arsenic Removal	045 2006	\$ 250,000	70%
20	Tucson Water Department	690,000	New Production Wells for Blended Water	033 2006	\$ 1,500,000	75%
21	Tucson Water Department	690,000	South Avra Valley Storage & Recovery Project	034 2006	\$ 3,000,000	75%
22	Tucson Water Department	690,000	South Avra Valley Storage & Recovery Project - Raw Water Delivery Pipeline	035 2006	\$ 4,000,000	75%
23	Maricopa County Municipal Water District	200,000	White Tanks Regional Water Treatment Plant	029 2006	\$ 55,000,000	80%
24	Las Quintas Serenas Water Company	4,000	Arsenic Remediation	044 2006	\$ 1,648,750	80%
25	Valle Escondido DWID	650	New Well and Reservoir Project	005 2006	\$ 1,000,000	70%
26	Community Water Company of Green Valley	16,000	Design/Construction of Arsenic Treatment Facilities	003 2006	\$ 2,000,000	75%
27	Livco Water Company	1,100	Well #4 Activate Inactive Well	006 2006	\$ 60,000	70%
28	Livco Water Company	1,100	Upgrade/Replace Old Water Meters	011 2006	\$ 75,000	70%
29	Yarnell Water Improvement Association	1,700	Back Up Well Project	004 2006	\$ 250,000	70%
30	Livco Water Company	1,100	Upgrade/Replace Well Casings	007 2006	\$ 45,000	70%
31	Mohawk Utility Company	500	Upgrade of Plant and Expansion of Storage	013 2006	\$ 75,000	70%
32	Clear Springs Utility Company	1,142	Repairs and Upgrades to Distribution and Booster Pumps	038 2006	\$ 69,212	75%
33	Town of Florence	13,966	Potable Water System Improvements	027 2006	\$ 483,690	80%

34	City of Flagstaff	62,718	New Water Wells	036	2006	\$	8,500,000	80%
35	Livco Water Company	1,100	Well #3 Activate Inactive Well	008	2006	\$	40,000	75%
36	City of Williams	2,842	Water Treatment Plant Upgrades	039	2006	\$	900,000	75%
37	Forest Lakes DWID	2,500	Installation of Meters	002	2006	\$	450,000	80%
38	City of Holbrook	5,100	Sun Valley Desalination Project	024	2006	\$	2,000,000	80%
39	City of Holbrook	5,100	Heavy Industrial Park Infrastructure	025	2006	\$	295,000	80%
40	Double G Mobile Park	50	New Well for Back-up on Current Well	031	2006	\$	13,000	75%
41	City of Flagstaff	62,718	Future Water Acquisition	037	2006	\$	15,000,000	80%
42	City of Holbrook	5,100	Water Tank Rehabilitation and Tank Replacement	022	2006	\$	702,061	80%
43	City of Holbrook	5,100	Hopi Travel Plaza Water Line	023	2006	\$	2,500,000	80%
44	Delta City Improvement District	1,000	New District Connection with Existing Lines	026	2006	\$	250,000	80%
45	City of Peoria	113,600	Acquisition of Public Infrastructure	015	2006	\$	16,200,000	85%

**Exhibit B:**

**2006 Funding Cycle Fundable Range for Design**

**Arizona's Drinking Water Revolving Fund**

**Arizona's Drinking Water Revolving Fund**  
**2006 Funding Cycle – Fundable Range for Design Financial Assistance**  
**April 20, 2006**

No borrowers requested design assistance for their projects as of the date of this report.

**Exhibit C:**

**2006 Funding Cycle Fundable Range for Construction**

**Arizona's Drinking Water Revolving Fund**

**Arizona's Drinking Water Revolving Fund**  
**2006 Funding Cycle – Fundable Range for Construction Financial Assistance**  
**April 20, 2006**

<b>Fundable Range Rank</b>	<b>MPL Rank</b>	<b>Applicant</b>	<b>Project Title</b>	<b>Project #</b>	<b>Amount Requested</b>
1	16	Oak Creek Utility Corp.	New Storage Tank	2006 040	\$50,000
2	17	Tucson Water Department	New Production Wells for Blended Water	2006 033	\$1,500,000
3	18	Tucson Water Department	South Avra Valley Storage & Recovery Project	2006 034	\$3,000,000
4	19	Tucson Water Department	South Avra Valley Storage & Recovery Project - Raw Water Deli	2006 035	\$4,000,000
5	22	Community Water Company of Green Valley	Design/Construction of Arsenic Treatment Facilities	2006 030	\$2,000,000
6	30	City of Flagstaff	New Water Wells	2006 036	\$8,500,000
7	32	City of Williams	Water Treatment Plant Upgrades	2006 039	\$900,000
8	37	City of Flagstaff	Future Water Acquisition	2006 037	\$15,000,000
9	41	City of Peoria	Acquisition of Public Infrastructure	2006 015	\$ 16,200,000

**Exhibit D:**

**Public Review and Comment Summary**

**Arizona's Drinking Water Revolving Fund**



**Exhibit D**  
**2006 Funding Cycle – Public Review and Comment**  
**February 15, 2006**

Public comment was conducted November 9, 2005 thru November 29, 2005. The public review and written comment period was advertised November 16th, 17th, and 18th in Arizona's three major newspapers.

A public hearing was held in Phoenix on Tuesday, November 29, 2005 at the Arizona Department of Environmental Quality, 1110 W. Washington Street, Room 145, Phoenix, AZ 85007 from 10:00 a.m. to 12:00 p.m. No public comment was received at the hearing.

A written public comment was received from San Cruz County Supervisor John Maynard.

I sincerely hope there will be funds set aside specifically for small rural water companies to comply with the newly updated EPA Arsenic standards. This is creating a financial dilemma for small companies with less than 100 customers to meet the new compliance levels. Thank you for the opportunity to comment.

On November 29, 2005, WIFA staff made several technical corrections to the IUP. Additionally, WIFA staff increased the amount of capacity development funds, which will to be funded from WIFA's federal capitalization grants, located in Table 1 to have enough resources to provide additional capacity development technical assistance.

The final TA IUP and PPLs was adopted by the Board on December 21, 2005 and became effective on January 1, 2006.